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Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 IO-10

ACDA-05 SAJ-01 EB-07 OMB-01 TRSE-00 /080 W
---------- 039183
R 011445Z AUG 75
FM USMISSION USBERLIN
TO SECSTATE WASHDC 1244
AMEMBASSY BONN
INFO AMEMBASSY BERLIN
AMEMBASSY LONDON
AMEMBASSY MOSCOW
USMISSION NATO
AMEMBASSY PARIS

C O N F I D E N T I A L USBERLIN 1514

EO 11652: GDS
TAGS: PGOV, PFOR, ETRD, WB, UR
SUBJECT: SOVIET WAREHOUSES IN WEST BERLIN

REFS: A) USBERLIN 1155
B) USBERLIN 940
C) USBERLIN 924
D) USBERLIN 175
E) USBERLIN 289

1. SUMMARY: SOVIET EMBASSY COUNSELOR KHOTULEV HAS AT LONG LAST INFORMED ALLIED MISSIONS THAT HE IS READY TO DISCUSS ESTABLISHMENT IN WEST BERLIN OF THREE WAREHOUSES PERMITTED SOVIETS UNDER TERMS OF AGREED MINUTE II OF QA. WHILE CONVEYING IN GENERAL FASHION SOOVIET DESIRES REGARDING FORM AND OPERATION OF WAREHOUSES, KHOTULEV HAS ARGUED THAT MORE DETAILED DISCUSSION OF SUBJECT IS IMPOSSIBLE UNTIL ALLIES HAVE APPROVED RESIDENCE APPLICATION OF PROSPECTIVE PRODINTORG WAREHOUSE MANAGER YARALOV, ENABLING HIM TO INVESTIGATE REAL ESTATE POSSIBILITIES
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AND EXAMINE APPLICABLE REGULATIONS FIRSTHAND. ALLIED MISSIONS

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HAVE REJECTED NOTION OF ADVANCE APPROVAL OF APPOINTMENT,
AND HAVE POINTED OUT THAT YARALOV CAN JUST AS EASILY
CONDUCT NECESSARY INQUIRIES WHILE LIVING IN EAST BERLIN
OR WHILE STAYING IN WEST BERLIN TEMPORARILY UNDER RELEVANT
ALLIED LEGISLATION. ALLIED MISSIONS ARE AGREED THAT, IN
INTERESTS OF EXPEDITING MATTER, NEXT STEP IS TO
EXPLAIN TO SOVIETS VARIOUS WAREHOUSE ARRANGEMENTS PERMISSIBLE
UNDER GERMAN LAW, AND QUADRIPARTITE MEETING HAS BEEN
SCHEDULED WITH KHOTULEV AUGUST 7 FOR THIS PURPOSE. AT SAME
SESSION, ALLIED POLADS PLAN TO CONVEY TO KHOTULEV NEGATIVE
RESPONSES ON TWO FURTHER SOVIET COMMERCIAL REQUESTS:
ESTABLISHMENT OF JOINT SOVIET-GERMAN VENTURES IN BERLIN,
AND PURCHASE OF RESIDENTIAL PROPERTY BY OFFICE OF
SOVIET FOREIGN TRADE ASSOCIATIONS. END SUMMARY.

2. AT SPANDAU PRISON LUNCHEON JULY 17, SOVIET EMBASSY
COUNSELOR KHOTULEV INDICATED TO ALLIED REPRESENTATIVES THAT
HE WAS NOW READY FOR TALKS ON ESTABLISHMENT OF SOVIET
WAREHOUSES IN WEST BERLIN (REF B.) ON FOLLOWING DAY,
KHOTULEV REVIEWED WITH BRITISH (CHAIRMAN) POLAD CERTAIN
GENERAL SOVIET DESIDERATA: WAREHOUSES WOULD BE BOTH FOR
STORAGE AND DISPLAY OF SOVIET EXPORT ITEMS DESTINED FOR
SALE IN WEST BERLIN; THEY WOULD BE MANAGED IN ACCORDANCE
WITH LOCAL LAWS; AND SALE OF GOODS WOULD BE BASED ON
CONTRACTS BETWEEN SOVIET EXPORTING ORGANIZATIONS AND LOCAL
PURCHASING FIRMS. WHEN POLAD INQUIRED WHETHER CUSTOMS
DITIES WOULD ALREADY HAVE BEEN PAID ON GOODS STORED AND
DISPLAYED, KHOTULEV SAID HE HAD NO INSTRUCTIONS FROM
MOSCOW ON THIS POINT AND WOULD HAVE TO SEEK CLARIFICATION.
KHOTULEV ADDED THAT IT WAS DIFFICULT TO GIVE MORE DETAILED
DESCRIPTION OF ENVISAGED WAREHOUSE ARRANGEMENTS UNTIL
PROSPECTIVE PRODINTORG WAREHOUSE MANAGER YARALOV RECEIVED
PERMISSION TO RESIDE IN WEST BERLIN (REF A) AND WAS ABLE TO
MAKE ON-THE-SPOT INQUIRIES. UK POLAD RESPONDED THAT IT WAS
HIS UNDERSTANDING SOVIET TRADE OFFICE IN WEST BERLIN HAD
BEEN ADVISED THAT THERE WAS NO BAR TO YARALOV CONDUCTING
INQUIRIES WHILE LIVING IN EAST BERLIN, OR TO HIS ESTABLISHING
TEMPORARY RESIDENCE IN WEST BERLIN UNDER PROVISIONS OF
PERTINENT ALLIED LEGISLATION (BK/L(67)7).

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3. WHEN APPROACHED BY KHOTULEV ON WAREHOUSE QUESTION AT
SOCIAL FUNCTION JULY 22, US POLAD INFORMED HIM THAT ALLIES
WERE PREPARED TO MEET WITH HIM QUADRIPARTITELY WHENEVER HE
WISHED. AS ON PREVIOUS OCCASION, HOWEVER, KHOTULEV STRESSED
DIFFICULTY OF DISCUSSING SUBJECT IN DETAIL WITHOUT YARALOV
BEING PERMITTED TO COME TO WEST BERLIN. POLAD REPEATED THAT
THERE WAS NOTING TO STOP YARALOV EITHER FROM COMMUTING
FROM EAST BERLIN OR FROM STAYING TEMPORARILY IN HOTEL IN

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WEST BERLIN, BUT THAT WE COULD NOT GRANT PERMISSION TO
RESIDE UNTIL WAREHOUSE ARRANGEMENTS HAD BEEN WORKED OUT.

4. ALLIED MISSIONS HAVE SOME DIFFICULTY IN COMPREHENDING
KHOTULEV'S INSISTENCE THAT YARALOV'S APPOINTMENT BE FORMALLY
APPROVED BEFORE DETAILED DISCUSSIONS CAN BE UNDERTAKE,
INASMUCH AS WE HAVE REPEATEDLY TOLD HIM THAT THERE
WOULD BE NO BAR TO YARALOV CONDUCTING INQUIRIES HERE FROM
EAST BERLIN BASE OR FROM WEST BERLIN HOTEL. BE THAT AS
IT MAY, MISSIONS SEE SCANT POSSIBILITY OF FURTHER PROGRESS
UNLESS KHOTULEV IS INFORMED AS TO PRECISELY WHAT IS POSSIBLE
UNDER GERMAN LAW (SPECIFIED IN AGREED MINUTE II AS BEING
APPLICABLE) IN TERMS OF DISPLAY ARRANGEMENTS, PAYMENT
OF CUSTOMS FEES, ETC. WE HAVE REACHED AGREEMENT WITH
BRITISH AND FRENCH HERE ON JOINT PRESENTATION TO BE MADE TO
KHOTULEV ON SUBJECT, AND HAVE SCHEDULED QUADRIPARITE
MEETING FOR THIS PURPOSE ON AUGUST 7. WE INTEND INITIALLY
TO DESCRIBE TO KHOTULEV BONDED WAREHOUSE AND OPEN CUSTOMS
WAREHOUSE OPTIONS (PARA 3(A) AND (B), REF $), AND,
SUBSEQUENTLY, SHOULD HE INSIST ON NEED FOR DISPLAY SPACE, TO
RAISE POSSIBILITY OF COMBINING BONDED WAREHOUSE WITH
EXHIBIT AREA (PARA 4, REF D).

5. KHOTULEV MAY WELL RAISE TWO FURTHER QUESTIONS RELATING
TO SOVIET COMMERCIAL PRESENCE IN WESTERN SECTORS: FORMATION
OF JOINT SOVIET-GERMAN VENTURES, AND PURCHASE OF RESIDENTIAL
PROPERTY BY OFFICE OF SOVIET FOREIGN TRADE ASSOCIATIONS.
ON SEVERAL OCCASIONS IN PAST FEW MONTHS, ALLIED MISSIONS
HAVE TOLD KHOTULEV THEY WOULD REPLY ON THESE QUESTIONS
AT SAME TIME WAREHOUSES WERE DISCUSSED. IN ACCORDANCE
WITH JOINT POSITION REACHED BY ALLIED MISSIONS LAST
FEBRUARY (REF E), WE ARE PREPARED TO INFORM KHOTULEV
THAT WE CANNOT EXCEED PARAMETERS OF SOVIET COMMERCIAL
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PRESENCE IN WESTERN SECTORS ESTABLISHED IN AGREED MINUTE
II OF QA, AND THAT WE ARE THEREFORE UNABLE TO CONSIDER
ESTABLISHMENT OF JOINT VENTURES AT THIS TIME. AS
REGARDS PURCHASE OF PROPERTY, ALLIED MISSIONS REACHED
SIMILAR DECISION LAST FEBRUARY THAT WE SHOULD NOT MAKE
CONCESSIONS BEYOND THOSE SPECIFICALLY COVERED IN AGREED
MINUTE II, AND THAT WE SHOULD NOT, THEREFORE, APPROVE
REQUEST. WE INFORMED HEAD OF SOVIET TRADE OFFICE AS
MUCH LAST MARCH, BUT WILL CONFIRM DECISION TO KHOTULEV
SHOULD HE RAISE MATTER AGAIN. GEORGE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGREEMENTS, DIPLOMATIC DISCUSSIONS, BERLIN QUADRIPARTITE MATTERS, JOINT VENTURES, BONDED WAREHOUSES
Control Number: n/a
Copy: SINGLE
Draft Date: 01 AUG 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: RowellE0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975USBERL01514
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750266-0767
From: USBERLIN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750888/aaaaczwh.tel
Line Count: 164
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 USBERLIN 1155
Review Action: RELEASED, APPROVED
Review Authority: RowellE0
Review Comment: n/a
Review Content Flags:
Review Date: 22 MAY 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <22 MAY 2003 by ShawDG>; APPROVED <02 OCT 2003 by RowellE0>
Review Markings:

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US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SOVIET WAREHOUSES IN WEST BERLIN
TAGS: PGOV, PFOR, ETRD, WB, UR, GE
To: STATE BONN
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006